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FOR IMMEDIATE RELEASE

DATE: February 8, 1999

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GOLDMAN SACHS PAYS \$31 MILLION TO STATE OF CALIFORNIA IN LAW SETTLEMENT

SACRAMENTO -- The California Office of Statewide Health Planning and Development (OSHPD) announced today that it has received \$31 million from Goldman Sachs & Co. as part of a settlement of litigation arising from a loan guarantee issued to Triad Healthcare.

The Office's lawsuit against Goldman Sachs arose out of the \$167 million financing of two hospitals in Sherman Oaks, California. The hospitals were formerly owned by Nu-Med Corporation, a for-profit hospital company. In 1991, they were acquired by a new nonprofit corporation called Triad Healthcare, which was created for the sole purpose of buying the hospitals. Through its Cal-Mortgage Loan Insurance Program, the Office insured bonds for the purchase of the hospitals by Triad. Triad Healthcare eventually filed for bankruptcy and the State was left with the responsibility for most of the debt.

In February 1995, the Office sued Goldman Sachs alleging various forms of misrepresentation and a breach of the State's Fair Political Practices Act. The State Attorney General joined the suit, alleging breaches of the State's False Claims Act. In August 1997, after nearly a year and a half of negotiations, both the Office and the Attorney General reached a settlement agreement with Goldman Sachs.

The terms of the settlement include an initial cash payment of \$28.5 million (with interest, now totaling over \$31 million), refinancing the debt for an \$8 million present value savings (which was completed in mid-1998), and a guarantee on the collection of at least \$20 million in two other related cases the Office has filed over this transaction.

The related lawsuits were filed against the Los Angeles law firm of Musick, Peeler and Garrett, and its partner John Browning, who served as counsel for both Nu-Med and Triad Healthcare and against Stuart Marylander, who served as an officer for both Nu-med Inc. and Triad Healthcare at the time of the original loan guarantee.

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Last week, the Office learned that the State Supreme Court had determined that the settlement with Goldman Sachs was a “good faith settlement”, a determination made by the lower courts but disputed and appealed by one of the other parties being sued by the Office. As a result of this ruling, the funds were released from the escrow account and transferred to the Cal-Mortgage Insurance Fund.

When told of the release of the funds Dr. David Werdegar, Director of the Office, noted, “I am delighted that this portion of the settlement agreement has been concluded. Now, we can focus our attention to the remaining lawsuits, which we will pursue with the full weight of the State of California behind us. I am confident that, when all is said and done, resolution of this litigation will recover most of the State’s losses in the Triad transaction. The purpose of the Cal-Mortgage Program is to assist communities throughout California in developing needed health care facilities. Recoveries made in this case will strengthen the Program’s ability to achieve this purpose.